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HIGHLIGHTS

OVERVIEW

1980 has been characterized by sluggish economic growth in the western industrialized world. The United States experienced double digit inflation along with an unemployment rate of almost 8%. Inflation and unemployemnt in the United States will remain high in 1981, with uncertain but weak prospects for real growth.

The Canadian economy has not shown any real growth in 1980, although a few provinces had positive performances. Marginal growth will continue in 1981. Inflation will top 11%.

Nova Scotia was one of the few provinces to show real growth in 1980 (approaching 1%). The primary sector industries had the highest growth rates for 1980. An overall increase of about 1.7% is expected in 1981.

POPULATION AND LABOUR MARKET

The province's population stood at 855,000 on October 1, 1980, which included an increase of about 5,000 over 1979. A slightly higher net increase is expected in 1981.

For the first eleven months of 1980, the labour force averaged 363,000 persons: of that total, 328,000 persons were employed, and 35,000 were unemployed. The increase in employment slightly outstripped the labour force gain, leading to a drop of 1,000 in the unemployed. The employment increase was fairly evenly divided between goods-producing and service-producing sectors. The seasonally adjusted unemployment rate averaged 9.8%, down from 10.3% in 1979.

The 1981 outlook is for a 2.5% growth in the labour force, with a 2.5% growth in employment. The unemployment rate will continue in the 10% range.

INCOMES AND PRICES

Average personal income per capita reached an estimated $7,844 in Nova Scotia by the end of 1980, representing a 10.7% rise in current dollar terms over 1979. Real gains were therefore very small. A similar situation is anticipated in 1981.

Consumer prices rose by 10.6% on average for the first eleven months of 1980 over the same period in 1979. The food index grew by 12.1% and the housing index by 8.4%. Inflation in 1981 will be in the order of 11.5%.

CAPITAL SPENDING AND CONSTRUCTION SECTOR

Capital investment estimates for Nova Scotia in 1980 have been revised downward from earlier estimates, to show a 4.8% growth in current dollar terms. The expenditure estimates for housing, primary and construction and utilities have all been lowered. The increase in capital expenditures for 1981 will be in the order of 10%.

Housing starts in centres of 10,000 and over in Nova Scotia dropped by 27.1% by November of 1980. Approximately 3,900 units have been started in the province in 1980. Some 4,500 units should be started in 1981. Tax incentives to construct multiple unit residential buildings, tight rental markets in the Halifax-Dartmouth metropolitan area and an expected drop in interest rates will help stimulate activity in 1981.

PRIMARY SECTOR

Farm cash income to October, 1980 amounted to $163.0 million, up 15.4% over the previous year. Poor weather caused declines in some crops while pork and poultry prices had dropped in the early part of the year. Crop prospects for 1981 are good while livestock expectations are average. Increases in the prices of energy and of feed grain will add to the costs of production.

The preliminary value of fish landings to September, 1980 showed a slight decrease from the revised estimates for 1979. Total value of landings amounted to $153.5 million. As these preliminary estimates are usually revised upward considerably, the value of fish landings has probably shown a small real gain. Prices and demand in the important United States market were soft in the early part of the year, although they had started to firm in the fall. Allowable catch quotas are up by 3% in 1981, presaging another year of potential growth if prices can be maintained.

Pulpwood production increased by 6.4% to 2.7 million cubic meters to the end of October, 1980. Lumber production was down by 12%-15% to approximately 425,000 cubic meters in 1980. Prices were lower in 1980, and demand was curtailed by the lower activity in new housing construction. Pulp and newsprint demand is expected to decline in 1981 due both to cyclical factors and to the start-up of new plants elsewhere. Provided the construction sector returns to more normal levels, lumber production will rise in 1981.

In the mining sector, coal production has amounted to 1.9 million tonnes to August of 1980 (an 18.6% increase). With the Point Aconi strip mine in operation throughout 1981, coal production should increase. Due to weak export markets and National Gypsum's temporary loss of capacity as a result of a fire, the number of tonnes of gypsum shipped has only risen by 6.5%. Lead and lead-zinc concentrates have begun to move from the Gays River and Yava mines. Active exploration in the province continues, while further results of tin, potash and gold discoveries should be forthcoming in 1981.

MANUFACTURING SECTOR

The current dollar value of manufacturing shipments in Nova Scotia grew 6.9% to $2.8 billion by October, 1980. The Canadian growth rate was 8.5% for the same period. Electric products and transportation equipment industries were particularly healthy, increasing by over 34%. Furniture, printing and publishing, as well as paper and allied industries,

also displayed growth at the double-digit level. Some decline was anticipated in the latter half of 1980 due to the slow economic conditions and to a prolonged strike at the Hawker Siddeley Trenton railcar works.

A growth roughly consistent with the rate of inflation is forecast for 1981.

SERVICE SECTOR

Retail trade advanced to $1.9 billion by September, 1980. This represents a current dollar growth rate of only 3.4%, which is a substantial decline in real terms. New motor vehicle dealers were particularly hard hit. Sales of $481.8 million represented only a 0.2% increase. Lack of real income gains, coupled with high interest rates on consumer loans and uncertainty about the economic future, have served to dampen retail prospects in 1980, and will produce continued weakness in 1981.

Interest rates climbed to record heights in the spring of 1980, then declined in the summer and resumed their upward march in late fall. Loans increased both to business and to consumers. Savers took advantage of the record interest rates to invest in fixed term deposits.

Cargo movements through the Port of Halifax amounted to 11.3 million tonnes for the first ten months of 1980, a drop of 4.2%. Movements were down in all categories.

New and proposed air services to Toronto and Montreal will help the interregional traffic flow. Comparison of rises in travel costs within the province shows that air fares had the greatest increase over the past three years, while bus fares increased least. Decisions are pending on three railway line abandonments.

The travel sector showed little real gain in 1980, due primarily to poor weather conditions in early summer. Business travel related to offshore exploration activity has increased. The year 1981 should again be one of stability.

Sales of electricity to New Brunswick were partly responsible for

the 16.2% rise in electric power generation for the first nine months of 1980. Lingan 2 is now operational, while work on opening the Donkin coal mine paves the way for Lingan 3 and 4 power stations. Natural gas should be available in the region by late 1983. Research into the mining and use of coal will continue.

One rig is presently drilling a step-out well to delineate resources of gas off Sable Island, with preliminary results expected in 1981. This rig will be joined by one and possibly two more rigs next summer. Exploration for oil in the Bay of Fundy, Pictou-New Brunswick corridor and Cape Breton will take place.

EXPORT TRADE

The value of Nova Scotia laden exports for the first three quarters of 1980 amounted to $784.6 million. This 12.2% increase over the same nine months in 1979 represents a real gain of approximately 2%. Telecommunications equipment and industrial machinery were two industry categories which showed especially strong growth. Exports to the United States represent 62% of the total exports, while the Latin American Free Trade Association and the European Common Market (excluding the United Kingdom) are gaining in importance as markets.

OVERVIEW

The western industrialized nations generally experienced sluggish economic growth in 1980. Earlier predictions of a marked upswing in the rate of growth in 1981 appear to have been premature. Instead, the overall outlook seems to be one of lack ustre growth, since energy, inflation and the need to rationalize economic activity remain important unsolved problems.

In the United States in 1980, real growth has been marginal at best. Economic activity has picked up in the last two quarters of 1980, but underlying weaknesses in the economy will serve to delay recovery. A second, milder recession may well be experienced in the United States in the early part of 1981. The average rate of inflation in 1980 has been in the 10% range, while the employment rate has climbed to almost 8%. Interest rates have risen dramatically in the fall months with little relief foreseen in the near term. The 1981 outlook for the United States is for inflation to increase by more than 11%, the unemployment rate to be about 8% and for real growth to be 3%.

The 1980 picture for the Canadian economy gave little cause for optimism. Real growth has been very modest, and the economy may even show a slight decline when final figures have been tabulated. In contrast to the overall situation, individual provinces continued to show strength. Alberta was the most notable example with real growth of over 4% estimated for 1980, led by oil revenues and large energy-related capital investments. British Columbia, growing at just over 1% in real terms in 1980, was second. The continued influx of population to British Columbia is having a stimulating effect on its economy. By contrast, Ontario continues to feel the effects of the sluggish United States automobile market.

Nova Scotia has succeeded in weathering the current economic situation in relatively good shape. Led by the primary sector, the real value of production has continued to rise. Lack of growth in

some areas of the service sector reflects a decline in the levels of disposable income available to consumers as well as some uncertainty about the future and the continuation of high interest rates.

Estimates indicate that Nova Scotia's gross domestic product approached 1% real growth in 1980. This put Nova Scotia third in overall growth for the year behind Alberta and British Columbia, which is a considerable achievement. The 1981 forecast is for real growth in the order of 1.7%. Several large capital projects envisaged for Nova Scotia will promote major activity in a year or two. Unemployment is likely to continue in the 9.5% - 10% range and real incomes will show only marginal improvement. Housing construction should recover, and the lower value of the Canadian dollar should provide a continued stimulus for the province's export trade.

1981 will be another year of little real growth in Canada. The 10% rate of inflation experienced in 1980 is expected to accelerate somewhat in the coming year. Increased costs for energy, combined with inflation imported from abroad, will together serve to increase prices. Large energy projects are expected to contribute significantly to Canada's growth in the medium term, but they will not be sufficiently advanced to provide much impetus in 1981.

POPULATION AND LABOUR MARKET

POPULATION

As at October 1, 1980, the population of Nova Scotia was estimated to be 855,000. This represents a growth of 0.6% over the 849,500 persons in the province at the same time in 1979.

Natural increase (defined as the number of births minus the number of deaths) accounted for an increase of 5,450 persons. Therefore a net in-migration of 50 persons occurred.

No change is anticipated in the rate of population growth in 1981. It is further expected that net migration flows will remain neutral in the coming year.

LABOUR FORCE

During the first eleven months of 1980, the labour force in Nova Scotia averaged 363,000 persons, an increase of 3.1% (11,000 persons) over the labour force for the same period in 1979. In spite of demographic trends which indicate that fewer young persons will be entering the labour force in future, the 3.1% growth rate experienced in 1980 is higher than the 2.9% growth in 1979, and even exceeds the national average increase of 2.8%.

The participation rate is defined as the percentage of the population 15 years of age and older who are actually in the labour force. Factors such as perceived employment opportunities, increased involvement of women in the paid workforce, and the need for families to supplement their incomes in order to maintain their standard of living in the face of rising inflation, all contribute to a rise in the participation rate. In Nova Scotia, the rate has risen from 57.0% to the end of November, 1979 to 57.9% in 1980. This rise was slightly above the Canadian increase, but the overall participation rate for Canada has averaged 64.1%, or 6.2 percentage points greater than Nova Scotia. Nova Scotia, however, exceeds the 56.1% participation rate for Atlantic Canada.

Growth in the labour force is expected to moderate somewhat to 2.5% in the coming year.

EMPLOYMENT

The total number of persons employed in Nova Scotia (for the January-November 1980 period) averaged 328,000 persons, which is a healthy increase of 11,000 over the same period in 1979. The increase in employment slightly outstripped the gain of 10,000 in the labour force, leading to a drop of 1,000 in the unemployed.

Analysis of the employment advance by industrial sector shows it to be fairly evenly divided between the goods-producing and service-producing sectors of the economy (5,000 to the goods-producing sector and 6,000 to the service-producing sector). This 5.6% increase in the goods-producing sector represents an improvement over the previous year's 1.1% increase. Conversely, the recent rapid rate of increases in service sector employment have moderated from 1979's 4.6% increase to 2.6% in 1980.

Table 1 details the number of persons employed in the various industries in the first eleven months of 1980, compared to the number employed in the same period in 1979. The largest gains were recorded in the primary industries (other than agriculture), manufacturing and community, business and personal services. The decline in employment in the transportation, communications and utilities industry can be traced to the decline in the movement of goods in the economy, leading to a concomitant decline in the need for employees.

Moderate gains in the order of 2.5% growth are anticipated in overall employment in 1981.

TABLE 1

EMPLOYMENT BY INDUSTRY, NOVA SCOTIA
JANUARY - NOVEMBER, 1979 AND 1980
(THOUSANDS)

Industry	Year 1979	Year 1980	% Change 1980/1979
Goods Producing			
Agriculture	7	7	0.0
Other Primary	14	15	7.1
Manufacturing	47	50	6.4
Construction	22	23	4.5
Total Goods-Producing	90	95	5.6
Service Producing			
Transportation, Communications & Utilities	30	26	-13.3
Trade	60	63	5.0
Finance	17	16	-5.9
Community, Business & Personal Services	90	97	7.8
Public Administration	30	31	3.3
Total Service-Producing	227	233	2.6
Total Employment	317	328	3.5

SOURCE: Statistics Canada, Cat. 71-001.

UNEMPLOYMENT

Out of a total labour force of 363,000, 35,000 persons were unemployed on average during the first eleven months of 1980. This figure represents a decrease of 2.8% from the 36,000 unemployed during the same period in 1979, and the seasonally adjusted unemployment rate has declined by half a percentage point to 9.8%.

By contrast, the number of unemployed in Canada rose by 3.3% during the same time period, January to November, 1980. The national seasonally adjusted unemployment rate has decreased slightly to 7.5%.

The rate of unemployment in Nova Scotia for the coming year is expected to remain near or slightly below the 10% mark.

INCOMES AND PRICES

INCOMES

Average per capita personal income in Nova Scotia reached an estimated level of $7,844 by the end of 1980. This figure represents a 10.7% increase (in current dollars) over 1979. In real terms (devoid of inflation), this was a slight gain of 0.1%. At the national level, average personal income per capita rose 10.5% in current dollar terms to an estimated $9,840 by the end of 1980. Despite the slightly better performance anticipated in Nova Scotia, average personal income per capita in the province continues at about 80% of the national rate.

The rates of increase in other income indicators - the industrial composite of average weekly wages and salaries, and total wages and salaries - have fallen behind the rise in consumer price index. Total wages and salaries to September, 1980 has risen by 9.3% to $2.8 billion, while the average weekly wages and salaries amounted to $268.44 (up 8.4% from the same period in 1979).

The above results corroborate last year's forecast of little real increase in income for consumers; and since inflation is expected to remain high with generally soft market conditions, there will be little real growth in incomes in 1981.

PRICES

Prices in Halifax, as measured by the Consumer Price Index, rose by 10.6% for the first eleven months of 1980. Prices at the national level rose by 10.1% for the same period. The accompanying graph indicates how closely increases in prices at Halifax and in Canada generally coincide. This relationship holds true for the 'all items index', the housing index and the food index.

FIGURE 1
AVERAGE WEEKLY WAGES AND SALARIES, INDUSTRIAL COMPOSITE, NOVA SCOTIA, ATLANTIC PROVINCES AND CANADA, 1973-1979

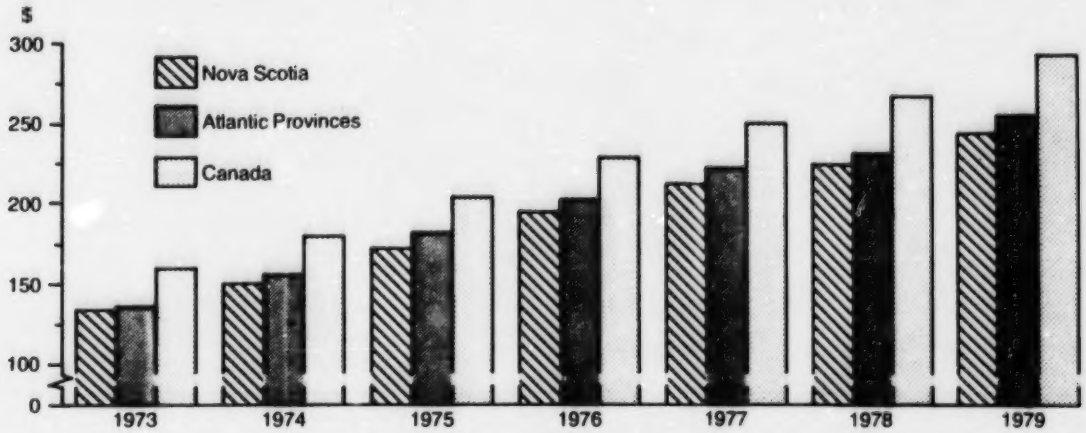
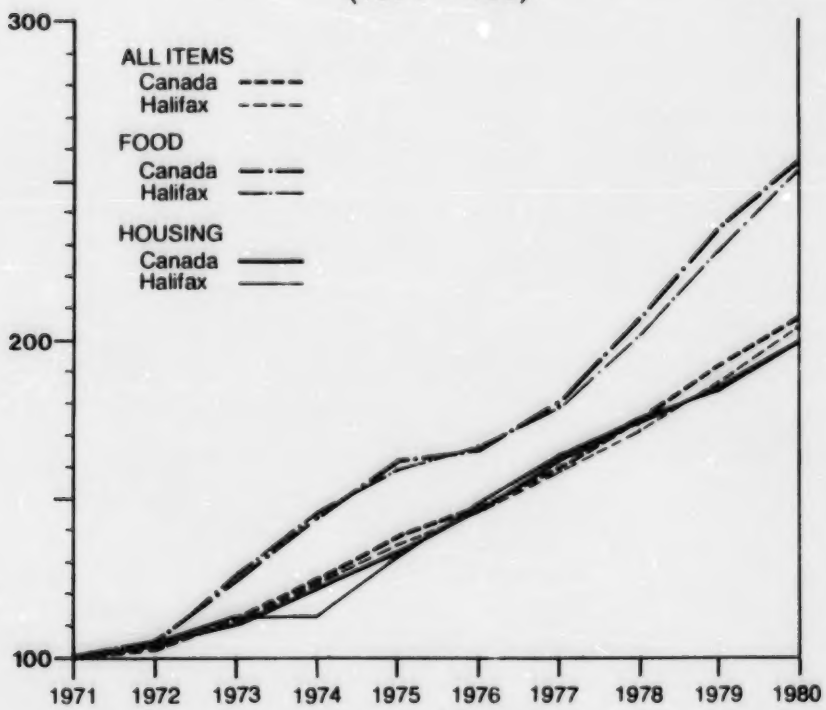


FIGURE 2
CONSUMER PRICE INDEX, ALL ITEMS, FOOD AND HOUSING, CANADA AND HALIFAX, 1971-1980
(1971 = 100)



The food and housing indexes are two important components of the overall Consumer Price Index (CPI). As has been the case for several years, the rate of increase in the food component continues to be greater than the average rate of inflation. However, the 12.1% rise in the food index recorded for the first eleven months of this year represents a decline from the 13.8% rise experienced for the same period in 1979. The underlying factors of higher operating costs for farmers, particularly in energy and feed grains, will continue into 1981. Increases in food prices in the order of 13% again are anticipated for 1981.

Housing, the other major component in the CPI, continued to show the lower-than-average increases of the past couple of years. Housing costs had risen by 8.4% by the end of November, 1980, versus a 6.1% increase for the same period in 1979. While rent increases are constrained in most units by rent controls*, mortgage carrying costs to many homeowners have risen dramatically due to the higher interest rates on mortgage financing. Since the cost of mortgages is not expected to decline substantially, and since home maintenance costs, particularly heating costs, will rise, this index is forecast to approach the 'all items' rate of inflation more closely in 1981.

The 'all items' rise quoted earlier does not reflect the additional $3.80/barrel of oil price rise imposed by the October federal budget. Further increases of this magnitude to be phased in during 1981 will also serve to accelerate the rate of inflation. The earlier increases in the price of gasoline, coupled with higher repair and maintenance costs, had already served to push the transportation index at Halifax over the 200 mark in 1980. The average yearly rate of inflation (first eleven months of 1980 compared to the first eleven months of 1979) in the transportation sub-index was 12.6%. The increase for the same period for 1979 over 1978 was 8.4%.

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* landlords who are restricted to provincially set rates of increase in rents do have recourse to an appeal procedure. Rent increases in excess of the provincial rate can then be granted provided they are justified.

The overall outlook for the Consumer Price Index in 1981 is for growth by at least 11.5%, with some individual components, such as food, registering gains in excess of this average figure.

CAPITAL INVESTMENT AND CONSTRUCTION SECTOR

CAPITAL INVESTMENT

Estimates of capital spending in private and public enterprises in 1980 show a decline in real growth. Overall new capital investment was estimated to grow by 4.8% in current dollar terms to $1.4 billion in 1980. Repair expenditures would add a further $0.5 billion to the total (up 9.8% from 1979).

Revised mid-year estimates of new capital expenditures in the primary and construction industries total $317.8 million (down from the original estimate of $349.9 million). Estimates of expenditure by the manufacturing sector, on the other hand, have been revised upwards by $5.3 million to $140.2 million. As would be expected, housing estimates have been revised downward from an original estimate for 1980 of $245.9 million down to $234.2 million. Utilities (primarily transportation) have revised their estimates of new capital expenditure downward by $12.3 million to $207.7 million.

No revisions are made to repair expenditure estimates at the mid-year point. Of the $500 million to be spent on repairs, $141 million would be expended by the manufacturing component, $75 million by the primary industries and construction, $93.5 million by utilities and $86.4 million by public administration and institutions. It is expected that expenditures on repairs would be less sensitive to changing economic conditions, as repairs tend to be required on an ongoing basis.

The outlook for 1981 for both new and repair capital expenditures is for capital investment spending growth to be in the order of 10% in current dollars. Some of the larger capital projects which will provide stimulus in the coming year include: continued work on the Donkin coal mine, the new Michelin plant at Waterville, a sports complex for Dartmouth, Lingan 3 and 4 power plants, a new hospital in Halifax, and work on the Naval Dockyard.

CONSTRUCTION

By November 1980, 1,814 housing starts were recorded in centres of 10,000 population and over. The 1980 figures represent a drop of 27.1% from the 2,489 housing starts in the same period of 1979. Activity in the multiple housing unit sector remains very weak. For example, only 227 apartment units were started in the January through September period in 1980, compared to 572 units for the same period in 1979, and 827 units in 1978. Total 1980 housing starts in Nova Scotia are estimated at about 3,900 units.

The value of all types of building permits issued in the province to September, 1980 also showed a marked decline from previous years. Building permits worth $228.2 million were issued in the first nine months (down 16% from the $273.0 million issued in the same period of 1979).

The value of construction work was estimated to increase by 10.5% in current dollar terms to $1.2 billion by the end of 1980. This implies no real gains in the value of construction.

The record high interest rates experienced in 1980 are the prime cause for this drastic decline in construction activity, particularly in the housing component. Initially the high rates in the spring, coupled with the perception that interest rates would moderate, served to discourage many would-be home owners from investing at that time. While rates did moderate in the summer, they were still high enough to continue to discourage potential home owners. Speculative building and construction of multiple units became particularly unattractive, due to the high prices that would have to be charged in order to recoup the investment and make even a small profit.

Because of this lack of construction activity, the traditionally tight rental market in the Halifax-Dartmouth metropolitan area became even more constricted. As of October, apartment buildings containing six or more units recorded an overall vacancy rate of 1.4%. Apartment units

more centrally located in Halifax were experiencing vacancy rates of about half the overall rate.

Several factors should contribute to a return to more normal residential construction levels in 1981. While interest rates again rose in the fall of 1980, they should decline later in 1981 to more acceptable levels. Consumers are also becoming more accustomed to the higher rates so that the negative psychological effect will not be as profound. Latent demand for housing will thus play a role in encouraging building. The extremely tight rental market coupled with the temporary reintroduction of M.U.R.B.* income tax shelters for units begun after October 28, 1980, should prove an incentive for construction of additional multiple units in 1981. Accordingly 3,000 single units and 1,500 multiple units should be started in 1981.

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* multiple unit residential building

PRIMARY SECTOR

AGRICULTURE

Farm cash income in Nova Scotia to the end of October 1980 grew to $163.0 million from $141.2 million for the same period in 1979. This growth of 15.4% in current dollars represents a 5% rise in real income gains to farmers.

Looking at the individual commodities, it was generally not a good year for fruit and vegetable crops. Wet weather delayed harvesting by a few weeks and also played a role in reducing total crop sizes. The Nova Scotia apple crop, for example, is estimated at 2.2 million bushels in 1980, down from 2.4 million bushels in 1979. A large apple crop in other parts of North America has meant that unit price rises will not cover the shortfall in the apple crop. Blueberry harvests were also down (from 10.9 million lbs. to 7.8 million lbs.) despite earlier predictions of a bumper crop. Adverse weather conditions again played a role in this decline. Strawberries were the only fruit crop to show an increase - from 2.5 million quarts in 1979 to 2.9 million quarts in 1980 (up 16%). Vegetable production was down slightly. The decrease in output was reflected in a decline in revenues.

In the livestock division, prices for beef and hogs have firmed and are expected to rise in 1981 following lower prices in 1980. Producers of these products were faced with a 40% rise in feed grain prices in 1980, and anticipate further increases of up to 20-30% in the spring of 1981. The value of beef production in the province in 1980 is estimated at $27.7 million, up 17.4% over 1979, while hog production added another $26 million (up 62.5%) primarily due to a large rise in the number of heads marketed. The 29.3 million lbs. of chicken produced in 1980 were marketed for $18.2 million. Production is down by about 2 million lbs. over 1979 but revenues have still risen by 14%. The value of eggs in 1980 amounted to $16.8 million, up 43.6% over 1979.

Dairy production was also up in 1980. The 172.6 million litres estimated for the year is valued at $56.4 million (up 16%). Nova Scotia dairy producers exceeded their milk quota for 1980. As in past years, Nova Scotia will be 'borrowing' some unused quotas from New Brunswick. Nova Scotia has been granted a slight increase in its quota for 1981 but has been informed that a quota pooling arrangement for the Maritimes must be devised in order to continue the present system.

In common with other sectors of the economy, higher costs for energy, expected double-digit inflation and rising interest rates are all of concern to farmers. Egg and milk producers have the ability to pass increased costs on to consumers via the price-setting mechanisms of their respective marketing agencies. However, these commodities may face consumer resistance to additional price rises.

The outlook for agriculture in 1981 is therefore cloudy. Beef prices are expected to remain strong, and hog prices should improve. Although poultry prices should also rise, there is concern that consumer resistance to these higher prices will result in a levelling off or even a decline in demand. Major new promotional programs using chicken in fast food outlets should help to keep demand for poultry strong in 1981.

Crop production is expected to be good in 1981. Apple production should reach the 3 million bushel mark, the strawberry crop could equal the record 1980 crop while lowbush blueberry yields could be in excess of 11 million lbs. Vegetable production should recover from the 1980 decline and increase beyond past normal levels.

FISHERIES

The reported value of fish landings for the first nine months of 1980 was down (-9.9%) from the same period in 1979, but this preliminary figure will likely be revised upward*. When final tabulations are complete for

* For example, final 1979 figures were revised upwards by 19.2% from $103.9 million to $123.9 million.

1980 it is likely that the industry will have experienced modest real growth in 1980.

Comparing preliminary data on volume of landings to September, 1980, with preliminary 1979 figures, it will be noted that the traditional species landed continued to dominate 1980 catches. Groundfish contributed over half of the total volume of fish caught to date. Within this category cod accounted for 82,384 tonnes (up 9.2%), haddock for 33,451 tonnes (up 26.7%), and pollock for 25,580 tonnes (up 8.7%). The volume of small flatfish also jumped to 13,900 tonnes from 10,848 tonnes in 1979.

In the pelagic and estuarial group, herring accounts for over 75% of the total catch. By September, 40,890 tonnes had been caught in contrast to the 28,069 tonnes landed in 1979. Because 1980 landings had been under-reported, the 45.6% growth in volume could therefore be a low estimate.

The two most important species in the molluscs and crustaceans category are scallops and lobster. The volume of scallops caught was down in 1980 due again to the smaller size of the scallop, and the more intense fishing efforts by both Canadian and American vessels near Georges Bank (the main scallop fishing area). To September, 48,120 tonnes of scallops had been landed, a drop of 17,633 tonnes (-26.8%). The volume of lobsters caught was also down slightly by 419 tonnes to 4,974 tonnes.

In terms of value, lobsters are the most valuable by weight, followed by scallops. Therefore molluscs and crustaceans, although they account for only 20% of landed volume, account for almost half of the value of the fish landed.

Soft institutional demand in the United States, and the recently imposed 15% European Economic Community tariff are barriers to price increases, although fish prices firmed in the fall. In some parts of the industry, notably the offshore groundfish sector, prices have not increased at the same pace as costs, thereby causing operating losses.

The National Sea Products fish processing plant at Lockeport was destroyed by fire this summer, resulting in the loss of 25 million lbs. of annual processing capacity to the province. On the positive side, however, a new fish plant has just opened in Queens County and many existing plants have expanded their operations.

For 1981, the provincial Department of Fisheries will continue emphasis on quality enhancement of fish. Provincial cost-sharing assistance in the provision of ice making machines, to install insulated fish holds, and for 'tote' or wharf boxes are examples of such continuing quality improvement programs.

The 1981 fisheries management program recently announced by the federal government allows for a 3.3% increase in the quantity of fish that can be harvested off the Nova Scotia coast. Concern has been expressed, however, that this plan fails to accommodate sufficiently the offshore fishing fleet.

While the potential 1981 growth in volume will be over 3%, the growth in value of the fisheries is less certain. Prices are expected to rise for several reasons, including the anticipated rise in the price of beef, as well as an upswing in demand for fish as economic conditions improve. The possibility of a second recession in the United States, however, could presage continued soft demand for fish.

Concern remains over management of the Georges Bank area. Scallop stocks there are in danger of being depleted, given the failure to ratify the Canada-U.S. treaty allowing for proper conservation. In the longer term, a recent federal research team has suggested that there could be less reliance on frozen fish in the future due to the high energy costs involved in the freezing process. Expectations are that the current distribution of 60% of fish to retailers and 40% to restaurants will shift by 1985 to 70% for restaurants and only 30% to retailers, requiring shifts in packaging and marketing strategies.

FORESTRY

Production of pulpwood continued to increase in 1980. As of the end of October, the 2,695,600 cubic meters of production represented a 6.4% growth in output over the same period in 1979.

The lumber industry, on the other hand, suffered a drop in output in 1980. During the January-September 1980 period, output declined by 11.2% to 335,800 cubic meters from the previous year's levels. By year-end, annual production was estimated to be between 415,000 and 425,000 cubic meters (a drop of 12%-15%). Estimated value of this output is $45-50 million.

The dramatic decline in housing construction in both Canada and the United States has been responsible for the lower lumber production levels this year. Prices for lumber have dropped but mills have also chosen to rebuild their inventories which were low or non-existent in 1979 rather than accept these lower prices. Should 1981 prove to be another year of soft demand, then mills could well be forced to sell their product at less favourable rates in order to avoid problems with excess inventory.

During 1980 one major sawmill in Sackville, owned by G. R. Heffler Limited, was lost to fire and is currently being rebuilt. Resumption of production is slated for early 1981. In addition a new softwood sawmill with an annual capacity of 16,500 cubic meters commenced production and two existing mills undertook expansion projects. Stott Timber Corporation Limited opened a new hardwood mill in Sydney, with an annual capacity of 12,000 cubic meters, which commenced production in July and represents the only significant hardwood lumber mill in the Province. These investments, with the exception of one expansion project, have been made with the support of DREE incentive grants and those available under the sawmill improvement project of the federal/provincial Forestry Subsidiary Agreement being implemented by the Nova Scotia Department of Lands and Forests.

The province's pulp and paper producers continue to make substantial capital investments directed at pollution abatement, process improvements and substitution for petroleum-based energy sources. As a result of these projects, the cost of energy in real terms to these companies has actually declined.

Nova Scotia continued to lose valuable timber in 1980 due to spruce budworm infestation. Cape Breton Island and the northeastern portion of the mainland were the hardest hit. It is estimated that over 4 million cords of balsam fir and spruce have died as a result of the spruce budworm, and this damage is expected to continue into 1981. Harvesting of budworm-damaged stands continues. In 1980, approximately 140,000 cords of wood were cut and stored for later use and approximately the same quantity will be salvaged in 1981.

Development of the Strathlorne Forest Nursery and the Tree Breeding Centre at Debert continued, funded jointly by the federal and provincial governments. The Tree Breeding Centre was expected to be complete by late 1980, while the nursery is scheduled for completion in 1981. When operational, these projects will allow the province to meet its expanding reforestation program.

Prospects for 1981 are mixed. A significant amount of new capacity in the newsprint industries, coupled with a cyclical downturn in demand in Canada and the United States, is expected to bring about a slight decline in the demand for Nova Scotian pulp and newsprint. The lumber mills, on the other hand, are looking forward to a return to more normal levels of demand, although this expectation is predicated on a recovery in the Canadian and United States housing markets. At present this recovery seems far from assured. Overall, then, the forestry sector should show no real growth in 1981.

MINING

Results for the first three quarters of 1980 in the mining sector were good. At the end of October, 1980, 3,079 mineral exploration licenses were in effect, with an additional 617 licenses for the

exploration of uranium, double the number of licenses at the same time in 1979. The area under exploration in the province amounted to 1.7 million hectares (up 40.8% from 1979).

TABLE 2

VALUE OF MINERAL PRODUCTION, NOVA SCOTIA, 1969-1979, CURRENT DOLLARS*

	Metals	Non-Metals	Coal	Structural Materials	Total	Rate of Change
			($'000)			(%)
1969	1,406	18,229	21,781	17,145	58,562	
1970	575	19,354	21,838	16,393	58,159	-0.7
1971	215	21,714	23,020	15,883	60,833	4.6
1972	2	22,976	16,117	18,829	57,923	-4.8
1973	156	25,770	15,568	21,024	62,518	7.9
1974	213	28,913	24,524	28,307	81,955	31.1
1975	0.5	29,796	44,586	28,157	102,540	25.1
1976[r]	--	36,939	57,756	32,536	127,231	24.1
1977[r]	--	40,925	77,575	40,926	159,426	25.3
1978[r]	--	47,012	120,722	42,925	210,658	32.1
1979[p]	--	52,964	100,500	55,254	208,718	-0.9

Symbols: p - preliminary figures
r - revised figures

*Data are revised by Statistics Canada from time to time as more information becomes available.

Source: Statistics Canada, Canada's Mineral Production, Catalogue 26-202, various issues.

Production of minerals has shown mixed results. Coal production (by DEVCO) to August was up 18.6% to 1.9 million tonnes. This represents a return to more normal levels following various technical difficulties experienced in 1979. The closure of the River Hebert coal mine represents a loss of output to the province, but with the start-up of the Point Aconi strip mine an overall increase in coal output is anticipated during 1981. Preparatory work on the Donkin coal mine continues, assuring further production increases in the medium term.

Gypsum production was up 6.5% for the first nine months of 1980, to 3.4 million tonnes. However, weak export markets in the United States continue to plague gypsum producers. A fire in the main wash plant of National Gypsum Limited has caused some reduction in production. Rebuilding of this plant will not be complete until mid-1981.

Limestone production was 36,200 tonnes to September, a drop of 57% over the comparable time period in 1979. SYSCO is the main user of limestone and its demand has diminished with the closing of one blast furnace.

Production of silica sand was up 23% to 29,600 tonnes. Salt, on the other hand, was down almost 10% to 734,200 tonnes.

Lead and lead-zinc concentrates from Yava Mines and Gays River Mine are just beginning to be shipped. Although 19,200 tonnes of concentrates had been shipped by year end, these mines will not make a significant contribution to output until 1981.

The outlook for 1981 is generally good. Gypsum markets will continue to experience weaknesses, but coal production will expand. Continued activity in the gold districts offers prospects in Guysborough County, while exploration for oil and gas will continue. Testing for the commercial viability of the tin deposits in East Kemptville is continuing. With these active exploration programs being undertaken, there is cause for optimism concerning the possibility of finding commercially exploitable mineral deposits. Therefore, the mining sector should show growth in 1981.

MANUFACTURING SECTOR

The value of manufacturing shipments in Nova Scotia for the first ten months of 1980 rose to $2.8 billion, a current dollar increase of 6.9% over the same period in 1979. This rate of increase is slightly lower than the Canadian growth rate of 8.5% for the same period.

The value of electrical products reached $47.0 million for the first nine months of 1980, up from $35.1 million for the same period in 1979. Transportation equipment production value jumped in a similar dramatic fashion to $246.0 million from $183.0 million. Since both of these industries are export-oriented, these results are indicative of the ability of Nova Scotian firms to compete in world markets.

Other industries which have also recorded healthy gains include furniture and fixture industries (up 19.3% to $8.4 million), printing and publishing (with a 17.5% increase to $46.5 million) and paper and allied industries (up 16.9% to $288.2 million). Continued steady demand for newsprint as well as increases in the price of the product assured the viability of the paper and allied industries in 1980.

Industries which registered growth rates below the level of inflation included food and beverages (7.5%), textiles (-3.5%) and non-metallic minerals (-0.5%). Weaknesses in these industries can be traced to the generally poor economic conditions prevailing in both Canada and the United States, combined with the restrained conditions in Nova Scotia. In the food and beverage industry, for example, prices and demand for fish in the United States, our major market, have been very soft in 1980.

Since 1979 saw a considerable expansion in manufacturing in the province, 1980 was used by producers to absorb this additional capacity. New plants, notably the Michelin tire plant at Waterville, Kings County, will help to expand production in the medium term.

Large firms in Nova Scotia, although only accounting for 20% of the total number of firms (see Figure 3), are important employment generators, accounting for about 70% of all manufacturing employment. Although the small business sector (under 50 employees) accounted for a smaller proportion

of the number of firms in 1977 (80%) than it did in 1971, small business is vitally important.

In recognition of the continued need to strengthen the manufacturing base of Nova Scotia, a number of provincial government programs provide assistance to firms. Essentially, there are three dimensions to the assistance offered: individual firms are assisted with their internal operations and with their marketing strategies, and on a broader level, industry organizations are encouraged.

FIGURE 3

MANUFACTURING ESTABLISHMENTS BY EMPLOYMENT SIZE, NOVA SCOTIA, 1977.

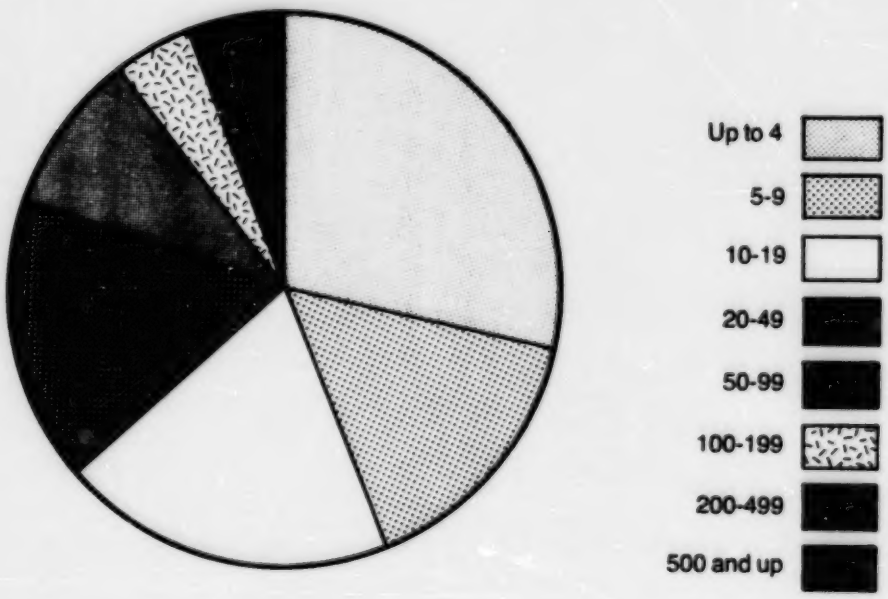

Table 3 outlines the major programs currently under way. More than 1500 firms were assisted by these programs over the past year. The Consulting Assistance Program, for example, had 80 applications as of December 31, 1980, while the Trade Expansion Program assisted approximately 135 firms during 1980.

The forecast for the manufacturing sector for the next year is that growth will only just keep pace with inflation. Delayed recovery from the slow economic climate in 1980, as well as continued high costs and escalating energy prices, may tend to dampen prospects in 1981.

TABLE 3

MAJOR DEPARTMENT OF DEVELOPMENT PROGRAMS

PROGRAM TITLE	PURPOSE OR OBJECTIVE OF PROGRAM
Trade Expansion Program	Provides grants to assist N.S. firms wishing to attend trade fairs and exhibits, conduct market eduction, and host incoming buyers.
Rural Industry Program	Provides capital grants to smaller businesses wishing to establish, expand, or modernize their physical plant.
Product Development Program	Cost shares on market studies, prototypes, production specification, industrial graphics packaging and consulting expertise to promote R&D, marketing, product innovation.
Task Force Municipalities	Grants - (public works) - Provides assistance to municipalities to cover wages and a portion of capital costs incurred in public works projects.
Mainstreet Program	Cost shares in capital improvements to downtowns/mainstreets.
Task Force Industry Program	Cost shares on wages to promote the creation of new incremental jobs and to provide training opportunities.

PROGRAM TITLE	PURPOSE OR OBJECTIVE OF PROGRAM
Machinery and Equipment Tax Rebate Program	Administer rebates to business for payment of municipal machinery and equipment tax.
Consulting Assistance Program (new)	Cost shares (through grant) on fees of consultants used for specialist small business counselling.
Marketing Agent (Pilot) Program	Cost shares on salary and costs of marketing agents hired by groups of small exporters.
Industrial Loan Program	Provides loans to finance fixed assets in processing industries related to natural resources.
Tourism Industry Loan Program	Provides loans to finance new construction or expansion of facilities related to tourism (motels/hotels, campsites, restaurants).
Venture Founders Program	Funds workshops, counselling services, etc. provided by consultant firm to develop latent entrepreneurial talent.
Assistance to Industrial Commissions Program	Program under which the province may cost-share the operating expenses of regional industrial commissions.
Venture Capital Program (to be implemented in 1981)	To provide additional equity capital for investment in small firms with substantial growth prospects.

SERVICE SECTOR

RETAIL TRADE

The retail trade component of the service sector exhibited extremely weak growth in the first nine months of 1980 compared to the same period of 1979. Sales of $1.9 billion represented a 3.4% growth in current dollar terms. In real terms, this represented a decline of 6.7%.

While some of the retail businesses showed healthy increases, one of the largest - new motor vehicle dealers - recorded an increase of only 0.2% (in current dollars) to $401.6 million. Higher vehicle prices helped to mask the decline in number of vehicles sold.

From January to September 1980, 33,853 new vehicles were sold, 3,012 fewer than the total sold for the same nine months of 1979. The biggest decline occurred in commercial vehicles (down 1,528 units), while the total of new passenger cars sold was down to 25,661 from 27,145 in 1979. Following the swing toward smaller, more fuel efficient cars, sales of passenger cars manufactured in Japan rose by 76.8% to 3,141 units from 1,777 in 1979. However, the majority of new cars (84%) purchased in Nova Scotia are still manufactured in North America; and new domestic models for 1981 may help North American makers to regain markets.

Sales by grocery and combination stores rose by 5.9% to $481.8 million to September, 1980. This rise reflects a decline in the smaller grocery store component of 16.1% and a rise in combination (grocery and meat) store sales by 10.7%. As figures in this category were under-estimated for the first three months of the year, some upward revision will be made at year-end.

Department store sales to September were up 7.2% in current dollar terms to $144.9 million. Furniture store sales, on the other hand, were hit in 1980, declining by 17.9% to $11.8 million. Businesses which showed strength over the first nine months of 1980 include used car dealers (up 30.6% to $14.6 million), automobile parts and accessories

stores (up 16.9%), family shoe stores (up 12.4%), personal accessory stores (up 20.0% to $15.8 million) and pharmacies, patent medicine and cosmetic stores (up 14.3% to $75.1 million).

The declining sales for stores which deal in 'big-ticket' items such as furniture reflect consumers' reluctance to buy. This is due to uncertainty regarding the economic situation, negligible gains in real disposable income, and high rates for consumer loans which are discouraging discretionary borrowing. Consumers bought in 1979 to avoid anticipated inflationary increases and have now filled their immediate needs. On the other hand, those stores which allow consumers to stretch their buying dollar by recycling past purchases are doing well. New personal accessories, for example, can refurbish last year's wardrobe at minimal expense, while the life of an existing vehicle can be extended by replacing worn parts. Quality goods continue to show strength.

In the face of these developments, which will probably still be important factors in 1981, stores must watch inventories closely, market more aggressively, and compete in the price/service arena, perhaps by taking a smaller markup. Smaller retailers with less access to volume discounts from their suppliers may have added difficulty in competing with larger firms. The implications for the consumer include lessened variety of goods and greater possibilities of companies running out of stock items.

Retail sales will remain weak in 1981, with current dollar gains probably falling short of the rate of inflation.

FINANCE

The primary item of interest in the financial sector recently has been the weekly setting of the Bank of Canada interest rate* for the succeeding week. Although the relationship between central bank and chartered banks'

* the rate at which the Bank of Canada will lend funds to the chartered banks

rates is not as close as in the past, a change in the Bank of Canada rate usually signals a comparable change in the prime rates charged to a bank's most credit-worthy customers. Consumer loans are pegged at a higher rate than the prime.

Interest rates in 1980 rose to unprecedented levels in the spring, followed by a decline in the summer, with renewed upward bias in the fall months. In general, Canadian rate changes have followed the United States pattern. However, over the past few months the United States rates have accelerated at a much faster rate than the Canadian, leading to a drop in the value of the Canadian dollar as funds are attracted elsewhere. The rise in the United States interest rates can be attributed to the start of the recovery in the economy, which accelerates the demand for money and is coupled with continued attempts on the part of the government to curb inflation by restricting expansion of the money supply.

The current levels of interest rates in Canada have dampened business and consumer borrowing while encouraging additional personal savings, particularly in fixed term instruments. At cross purposes with this reluctance to borrow, however, is the rising rate of inflation. In order to maintain their standard of living, consumers must borrow.

Statistics for Nova Scotia are as yet only available for the first two quarters of 1980. Total personal savings in Nova Scotia in chartered banks averaged $1.8 billion (up 21.8% over the same period in 1979) of which fixed term deposits grew by 43.6% to $379 million. Personal mortgages, despite the record interest rates, grew by over 18% to $310 million. Personal loans averaged $756 million for the period (up from $645 million in the first two quarters of 1979) and credit card loans jumped 25.5% to $69 million in that same period.

The following table prepared by the Conference Board of Canada shows the changes over recent years in consumers' savings and borrowing patterns in the provinces. Nova Scotians maintain the highest ratio of personal loans as a percentage of disposable income, while appearing at the midpoint among provinces in the ratio of savings deposits to personal disposable incomes.

TABLE 4

CHARTERED BANKS' PERSONAL LOANS AND PERSONAL SAVINGS DEPOSITS AS A RATIO OF PERSONAL DISPOSABLE INCOME, FOURTH QUARTER OF 1974, 1976 and 1979, BY PROVINCE

	Personal Loans as a Percentage of Pers. Disp. Income			Personal Savings Deposits as a Percentage of Pers. Disp. Income		
	1974	1976	1979	1974	1976	1979
Newfoundland	1.6	1.7	2.1	2.3	2.4	2.9
Prince Edward Island	1.7	1.6	1.9	3.3	3.2	3.7
Nova Scotia	1.9	2.0	2.2	2.6	2.7	3.2
New Brunswick	1.8	1.8	2.0	2.5	2.6	3.1
Quebec	0.9	1.0	1.2	2.3	2.2	2.5
Ontario	1.2	1.3	1.4	3.1	3.4	4.0
Manitoba	1.1	1.3	1.4	3.4	3.6	4.1
Saskatchewan	1.0	1.1	1.2	4.0	3.8	4.0
Alberta	1.4	1.7	1.9	3.3	3.6	3.8
British Columbia	1.5	1.8	1.8	3.5	3.7	4.3
Canada	1.2	1.3	1.5	3.0	3.1	3.6

Source: The Conference Board of Canada
Quarterly Provincial Forecast, November, 1980, p. 49

Business loans with upper limits of under one million dollars grew by 12.1% while the $1-$5 million, and $5 million and over categories showed even more significant increases of 25% and 45% respectively. Loans to farmers grew by 19.2% to $31 million. Greater gains in the larger loan categories may reflect the fact that the timing of big projects is less influenced by short-term economic considerations.

In both savings and loans, Nova Scotia did not keep pace with the rest of Canada. Special conditions such as the demand for capital in Alberta, and hyperinflation of housing prices in British Columbia contributed to the Canadian performance.

The forecast for 1981 is that interest rates will continue at a high level. Rates will again moderate in late spring but will be more resistant to downward pressures than in 1980. These higher rates will appear more normal to consumers in the coming year.

TRANSPORTATION

Movements of goods through the Port of Halifax for the first ten months of 1980 declined by 4.2% from the corresponding period in 1979. To October, 1980, 11.3 million tonnes of goods moved through the Port. Reflecting the general Canadian situation (which shows a surplus in the trade account), exports from the Port declined marginally (by 1.9%) over the previous year, but imports declined by almost 7%. While imports and exports each still account for roughly half of the Port's traffic, the balance in 1980 shifted in favour of exports.

Overall, bulk cargo was down by 4.3% to 9.3 million tonnes. Shipments of gypsum, crude and refined oil and grain are the principal goods in this category. Containerized cargo declined to 1.6 million tonnes from 1.7 million tonnes for the first ten months of 1979. The tugboat strike in New York in 1979 would have accounted for some increase in container traffic in Halifax in that year, but more significant in explaining the 1980 decline is the overall slowdown in economic growth in the western industrialized countries.

Little real growth in the volume of traffic is expected in 1981. Ceres Stevedoring Company Limited has been awarded the contract to operate the second container pier which will be operational in 1982. At present, the container port operations are starting to generate spin-off activities in terms of repair and manufacture of containers. Opportunities exist to provide further related facilities which will make the Port more attractive from the viewpoint of the shipping companies.

Decisions are pending on whether to discontinue rail lines in three areas of the province: Dartmouth to Musquodoboit Harbour, Port Hastings to Inverness, and Liverpool to Yarmouth.

In air transport, Eastern Provincial Airlines (EPA) has begun a direct Halifax-Toronto service. CP Air is to begin direct Halifax-Montreal flights in March, 1981, and has also indicated tentative plans to establish Halifax-Ottawa flights as well as a service to Amsterdam from Halifax.

Higher energy costs will impact on the transportation sector and may cause intermodal shifts to occur as individuals switch from plane to train or bus, for example. For comparison, the increases in the basic one-way fares between Halifax and Sydney, Nova Scotia, using different modes of travel are set out below.

TABLE 5

COMPARISON OF BASIC FARE COSTS
ONE-WAY, HALIFAX TO SYDNEY, NOVA SCOTIA
1978 AND 1980

	One Way Basic Fare		$	$	Travel
	July, 1978	October, 1980	Change	Change	Time
Bus	$13.80	$16.50	$2.70	+20%	6 hrs.
Train	$16.00	$20.00	$4.00	+25%	6 hrs.
Plane					
Fare	$43.00	$63.00	$20.00		
Tax	$ 8.00	$15.00	$ 7.00		
Total	$51.00	$78.00		+53%	0.7 hrs.

SOURCE: Derived from figures supplied by Nova Scotia Department of Transportation

TRAVEL

The travel sector of the Nova Scotia economy actually caters to several different market groups. The first of these is the group most commonly thought of as "tourists" - individuals from out-of-province who travel in Nova Scotia for recreational purposes. Convention travellers are included in this group. The second major group is the "business traveller", and the third is the "resident traveller" -- anyone who journeys more than 25 miles from home whether for recreational purposes, for business, or shopping. All these groups are important in terms of their expenditures on services such as accommodation, meals, and entertainment. It is therefore misleading to conceive of such services as catering only to the "tourist" sector of the travel market.

The summer travel season in Nova Scotia showed mixed results in 1980. Indicators for the months of May and June were up: both passenger ferries from the United States to Yarmouth were operating normally, in contrast to the 1979 situation when neither ferry was operable for several weeks. However, poor weather during the latter part of June and the month of July dampened earlier prospects. Resident Nova Scotians tended to forego weekend excursions, and other vacationers cut their trips short. Increased activity during the months of September and October helped to offset the early summer setback. Overall, the travel sector held its own in terms of real growth in expenditures.

In keeping with recognized new trends, bus tours and fly/drive packages have grown in popularity. The computerized accommodation system, Check-InNS, continues to handle an increasing volume of reservations as both individuals and tour operators recognize the advantages of being able to book from one centralized location.

The marketing theme for 1981 will be 'There's so much to sea' stressing the ties that most Nova Scotian communities have with the ocean. The additional air service planned by CP Air will provide greater access to the region by other Canadians, while a planned CP route to Europe which may be operational in 1981 will increase European access to Nova Scotia. The

lower-priced Canadian dollar, coupled with a lower rate of inflation than in most countries, makes Canada an attractive vacation option for foreign visitors. Offshore exploration business travel should also grow. On the other hand, a possible drop in Canadian consumers' real disposable income could mean fewer dollars available for discretionary spending on vacations.

ENERGY

Electric power generation to September, 1980 increased by 16.2% to 5,184,800 megawatt hours. This compares to 4,461,500 megawatt hours generated for the same nine months of 1979. Lingan 2 (the second of the coal-fired thermal electric generating stations) came on stream earlier than anticipated. In 1980, New Brunswick experienced a shortfall in hydro generating potential and as a result bought more power than usual from Nova Scotia.

The consumption of electricity in Nova Scotia rose in accordance with the Nova Scotia Power Corporation's 3.5% - 4% annual growth forecast. Since new housing starts were depressed in 1980, the bulk of the increase can be attributed to additional demand by the industrial and commercial sectors. A similar growth rate of 3.5% - 4% is expected for 1981.

Nova Scotia continues to substitute coal (and other energy sources) for expensive imported oil. As mentioned, Lingan 2, a 150,000 megawatt coal-fired electric generating station, is now operational. Preparatory work currently being done on the Donkin coal mine paves the way for construction of two more 150,000 megawatt generators - Lingan 3 and 4 - by 1983 and 1984 respectively.

Recently announced energy measures by the federal government support provincial aspirations. The federal commitment to make natural gas available in the region by 1982 is an important and welcome move. Financial assistance to study mining techniques, the uses of coal and the development of fluidized-bed coal technology will be made available. An industrial conservation program to support up to 50% of the cost of energy-efficient

improvements in the industrial sector is now available to Atlantic Canada businessmen, while home-owners and business will be offered assistance to convert from oil heat.

Active exploration for gas and oil continues. Preliminary results are expected in the spring of 1981 from the rig now drilling a step-out well near the Venture gas find off Sable Island. This rig will be joined next summer by one (and possibly two) more rigs, which will drill more step-out wells required to delineate the extent of the gas field.

Oil exploration has occurred both on and off-shore. Drilling in the Bay of Fundy and in the Pictou-to-New Brunswick land corridor should produce information during 1981. Exploratory oil drilling in Cape Breton during 1981 is a cause for optimism.

EXPORT TRADE

The value of Nova Scotia exports for the first three quarters of 1980 increased by 12.2% to $784.6 million. After inflation is taken into account, the real rate of increase was approximately 2%.

The dollar value of shipments rose in all categories, led by semi-processed goods. The $320.3 million in goods exported in this category represents an increase of 25% over the first three quarters of 1979. Within this group, exports of industrial oils and chemicals rose by 75% to $21.8 million in 1980 from $12.5 million in the same period of 1979. Exports of woodpulp went from $94.1 million in 1979 to $121.3 million in 1980 while the value of paper and paperboard products grew by $13.8 million to $99.3 million. These latter two categories have benefitted from healthy price increases for their commodities.

Live animals, food, feed and beverages exhibited the second largest rate of increase (13.2%), from $260.7 million to $295.2 million. Despite lower crop yields, the fruits and fruit preparations classification had a 50% increase in value over the same period in 1979 ($7.5 million in 1980 versus $5.0 million in 1979). Higher prices for these commodities helped offset declines in volumes. The largest component of this category --- fish and marine animals --- recorded a respectable 11.9% increase, up $28.1 million to $264.2 million.

Sales of fish to the United States have failed to keep pace with inflation, rising only 7.5% in current dollar terms in the first nine months of 1980. However, the $12.8 million growth (from $171.8 million to $184.6 million) in sales to the United States was the largest increase in absolute terms. Sales to the United Kingdom and the European Common Market (except the United Kingdom) have both shown above average increases, auguring well for greater penetration of those markets in future. Sales of fish to the Common Market amounted to $40.4 million to the end of September, 1980 (up from $34.2 million in 1979), while sales to the United Kingdom rose by $2.6 million to $7.6 million.

Both the raw materials and the finished goods groups registered declines. The raw materials category declined by 3% from $44.1 million (to September, 1979) to $42.8 million in 1980. The largest item in the category - non-metallic minerals - which accounted for over 75% of the total, remained virtually unchanged at $32.9 million. A jump in the value of metallic ores and scrap, as a result of export of scrap metal from a large ship, was not enough to offset declines in crude vegetable products (primarily due to low production of Irish Moss) and in crude wood materials.

Performance in the categories under the finished goods group was mixed. Overall, the $126.4 million worth of goods exported in the first three quarters of 1980 represented an 8.5% decline from the 1979 value of $138.1 million. As expected, exports of transportation equipment decreased (by 21.2%) to $97.4 million. These results reflect the impact of a prolonged strike at Hawker Siddeley's railcar works.

On the other hand, industrial and special industry machinery (for example, turbines, drilling equipment, and conveyor equipment) rose to $3.6 million in 1980 from $1.6 million in 1979. Similarly, communications, heating, electrical and precision equipment recorded exports of $18.6 million, up $10.5 million from 1979. Exports in the precision equipment category declined markedly in 1979, however, comparing 1980 figures with the more normal levels experienced in 1978, the value of exports still rose by 48.8%. Northern Telecom Canada Ltd., Hermes Electronics Ltd., Internav Ltd. and Nautical Electronic Laboratories Ltd. are a few of the firms which export these products internationally.

Turning to the market areas for Nova Scotia's exports, the province's main market, the United States, absorbed 62% of the total. However, the U.S. market is becoming less important, as it accounted for 75% of exports in 1970 and 69% in 1975. Exports to the United Kingdom amounted to $31.7 million, or 4% of the total value of exports. The European Common Market (excluding the United Kingdom) is another major target for provincial exports. The $102.3 million exported to this area for the first nine

months in 1980 represent a 35.9% increase over the same period in 1979, while exports to the Latin American Free Trade Association more than doubled in value in 1980 to $47.1 million (6% of total exports) from $20.4 million in 1979, due mainly to a jump in the value of metal-fabricated products.

Although final figures are not yet available, it would appear that the export sector in Nova Scotia performed well in 1980, despite the adverse economic conditions experienced by its trading partners. While diversification of markets and products, as well as a commitment to producing quality goods, will help to sustain and increase the value of exports in the short-term, over the longer term the performance of the export sector is dependent upon good economic conditions in other countries. Since 1981 is expected to be a year of slow economic growth in the United States and the rest of the western world, gains in export trade are anticipated to be only just sufficient to keep pace with inflation.

PUBLICATIONS AVAILABLE FROM DEPARTMENT OF DEVELOPMENT

Development Services of the Nova Scotia Department of Development has supplies of the following printed publications on hand. If you wish to obtain a complimentary copy of any of those materials listed, please contact:

Development Services, Nova Scotia Department of
Development, Bank of Montreal Tower, P.O. Box 519
Halifax, Nova Scotia B3J 2R7

Item	Contents & Suitability
Development Operations brochure	map, regional offices list, brief description of agencies, programs, and services.
Rural Industry Program brochure	regional offices list, description of RIP Program.
Trade Expansion Program brochure	regional offices list, description of TEP Program.
Product Development Program brochure	description of program.
Tourism and Industrial Loans brochure (N.S. Resources Development Board)	programs of Nova Scotia Resources Development Board.
Monthly Statistics Sheet	of N.S. Statistical Indicators.
Strait of Canso Superport	glossy promotional brochure in colour.
Development Update quarterly newsletter	up-to-date articles on Nova Scotian business, industry, and Development programs.
Consulting Assistance Program brochure	regional offices list, description of CAP program.
FACTS - folder on Nova Scotia	Small folder with six inserts on N.S. and regions; up-to-date statistical indicators.

Publications of the Nova Scotia Department of Development

The following Department of Development publications may be purchased at the Nova Scotia Government Bookstore, 1597 Hollis Street, Halifax, Nova Scotia, B3J 2T3. (424-7580).

**Please make all cheques payable to the Minister of Finance for Nova Scotia, and forward cheques with your order.

Atlases

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Forestry (Sept. 1975)	1.75
Housing (Oct. 1975)	2.65
Income & Employment, Vol. 1 (1975)	1.65
Income & Employment, Vol. 2 (1975)	1.50
Statistical Profiles of each of 18 Nova Scotia Counties	1.75 each
1980 Directory of Manufacturers (Nova Scotia)	8.00
Employment & Gross Domestic Product by Sector 1964-1975 Estimated, 1976-1984 Projected	1.85
Establishing a Business in Nova Scotia (1980)	5.00
Halifax Metro Area Fact Book (3rd Edition 1980)	1.50
Halifax Metropolitan Area Survey & Inventory of Commercial Space (1980)	1.10
Make it in Nova Scotia (1974)	free
Nova Scotia Population Projections 1974-1981	1.10
Population 1971 Census Monograph (1971)	.60
Profile and Impact Study of the Nova Scotia Christmas Tree Export Industry (1976)	.80
Programs and Services for Business Development in Nova Scotia (1980)	3.00
Strait of Canso - Superport	1.75
Today's Economy (April 1980)	2.00
Nova Scotia Economic Review, 1980 Vol. 1, No. 1, August 1980	1.50
Nova Scotia Population, Household, Family and Labour Force Projections 1977-1986	2.25

NOVA SCOTIA'S ECONOMIC PERFORMANCE

YEAR TO DATE

	1979	% CHANGE 1979/1978	1980	%CHANGE 1980/1979
POPULATION				
Thousands(at October 1)	849.5	0.6	855.0	0.6
LABOUR MARKET				
Thousands(to November)				
Labour Force	353	2.9	363	2.8
Employed	317	3.6	328	3.5*
Goods Producing Industries	90	1.1	95	5.6*
Service Producing Industries	227	4.6	233	2.6
Unemployed	36	0.0	35	-2.8*
Unemployment Rate (seasonally Adjusted)	10.3	-2.8	9.8	-5.9*
OUTPUT				
Farm Income Millions $ (to October)	141.2	13.9	163.0	15.4*
Fish Landings Millions $(to September)	170.2	23.7	153.5	-9.8*
Pulpwood Thousands Cu. Meters(to October)	2,533.2	3.8	2,695.9	6.4*
Lumber Thousands Cu. Meters(to September)	378.2	12.2	335.8	-11.2
Coal Thousand Tonnes(to August)	1,567.5	-15.4	1,859.3	18.6*
Manufacturing Millions $(to October)	2,645.0	18.4	2,827.6	6.9
Power Generation Millions kwh(to September)	4,461.5	0.4	5,184.6	16.2*
Exports Millions $(to September)	699.3	2.7	784.6	12.2

*Nova Scotia's rate of change better than Canada's.

CANADA'S ECONOMIC PERFORMANCE

YEAR TO DATE

1979	% CHANGE 1979/1978	1980	%CHANGE 1980/1979	
				POPULATION
23,746.0	0.9	24,009.6	1.1	Thousands(at October 1)
				LABOUR MARKET
				Thousands(to November)
11,211	3.0	11,529	2.8	Labour Force
10,367	4.0	10,657	2.8*	Employed
3,467	4.3	3,507	1.2*	Goods Producing Industries
6,900	3.8	7,150	3.7	Service Producing Industries
844	-7.8	872	3.3*	Unemployed
7.6	-9.5	7.5	-1.4*	Unemployment Rate (Seasonally Adjusted)
				OUTPUT
11,450.6	16.5	12,867.8	12.4*	Farm Income Millions $(to October)
728.7	32.5	443.8	-39.1*	Fish Landings Millions $(to September)
39,846.5	7.8	41,549.8	4.3*	Pulpwood Thousands Cu. Meters (to October)
11,376.1	0.9	12,310.7	8.2	Lumber Thousands Cu. Meters (to Sept)
21,613.5	9.8	23,567.9	9.0*	Coal Thousand Tonnes(to August)
126,083.2	18.9	136,805.0	8.5	Manufacturing Millions $(to October)
258,727.1	5.6	269,535.4	4.2*	Power Generation Millions kwh(to September)
47,495.0	21.3	55,163.0	15.7	Exports Millions $(to September)

NOVA SCOTIA'S ECONOMIC PERFORMANCE

	YEAR TO DATE 1979	% CHANGE 1979/1978	1980	%CHANGE 1980/1979
CAPITAL INVESTMENT				
Millions $ (to December)	1,368.3[p]	15.0	1,433.7[i]	4.8
CONSTRUCTION				
Millions $ (to December)	1,122.4[p]	12.4	1,240.4[i]	10.5*
Total Value of Building Permits				
Millions $ (to September)	273.0	1.3	228.2	-16.4
Housing Starts Centres Over 10,000 (to November)	2,489	-17.3	1,814	-27.1
INCOME				
Personal Income Per Capita $	7,088	9.3	7,844[1]	10.7*
Total Wages and Salaries Millions $ (to September)	2,607.4	12.4	2,849.1	9.3
Average Weekly Wages and Salaries Industrial Composite $ (at September)	247.55	9.4	268.44	8.4
SPENDINGS				
Millions $ (to September)				
Retail Trade	1,826.6	14.5	1,888.5	3.4
Grocery and Combination	455.0	20.5	481.8	5.9
Motor Vehicle Dealers	400.7	11.6	401.6	0.2
Department Stores	135.1	10.7	144.9	7.2
CONSUMER PRICE INDEX				
Halifax 1971 = 100 (to November)				
All items	186.7	8.9	206.5	10.6
Food	228.9	13.3	256.6	12.1
Housing	185.2	6.1	200.8	8.4
GROSS DOMESTIC PRODUCT				
(At market prices) Millions $	6,254	10.8	6,973[2]	11.5*

[1] Estimated by the Conference Board of Canada

[2] Estimated by the Department of Development

[p] preliminary figures

[i] intentions

*Nova Scotia's rate of change better than Canada's

CANADA'S ECONOMIC PERFORMANCE

1979	% CHANGE 1979/1978	YEAR TO DATE 1980	%CHANGE 1980/1979	
				CAPITAL INVESTMENT
57,440.7[p]	14.1	65,935.5[i]	14.8	Millions $ (to December)
				CONSTRUCTION
42,370.7[p]	10.9	46,418.4	9.6*	Millions $ (to December)
				Value of Building Permits
10,614.7	9.2	10,779.7	1.6	Millions $ (to September)
				Housing Starts
138,529	-16.9	114,926	-17.0	Centres Over 10,000 (to November)
				INCOME
8,902	10.8	9,840[1]	10.5*	Personal Income Per Capita $
				Total Wages and Salaries
98,615.1	11.0	109,501.8	11.0	Millions $ (to September)
				Average Weekly Wages and Salaries
296.11	9.3	324.70	9.7	Industrial Composite $ (at September)
				SPENDINGS
				Millions $ (to September)
55,288.3	12.2	59,554.6	7.7	Retail Trade
13,413.3	12.5	14,691.8	9.5	Grocery and Combination
11,707.5	14.6	11,829.3	1.0	Motor Vehicle Dealers
5,564.0	10.8	6,095.3	9.5	Department Stores
				CONSUMER PRICE INDEX
				1971 = 100 (to November)
190.4	9.0	209.6	10.1	All items
234.5	13.1	259.2	10.5	Food
185.7	7.0	200.6	8.0	Housing
				GROSS DOMESTIC PRODUCT
267,732	14.1	294,776[2]	10.1*	(At market prices) Millions $